



State of Utah

Department of
Natural Resources

ROBERT L. MORGAN
Executive Director

Division of
Oil, Gas & Mining

LOWELL P. BRAXTON
Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

October 8, 2004

CERTIFIED RETURN RECEIPT
7099 3400 0016 8896 0594

Pete Ogden
Redmond Minerals, Inc.
6005 North 100 West
Redmond, Utah 84652

Subject: Five-Year Review of Reclamation Surety Estimate, Redmond Minerals, Inc., South RCS Salt Mine, M/039/002, San Pete County, Utah

Dear Mr. Ogden:

Thank you for providing the requested information regarding the five-year review status of your South RCS Salt Mine, located in San Pete County, Utah. The last surety estimate for this mine was \$235,100 in 1999 dollars. Upon review of the information furnished by Redmond Minerals, Inc. and a site visit to verify the site conditions, we find we only need to escalate the present bond for a five-year period. This is based upon the fact that there had been no changes at the site since the last bond calculation.

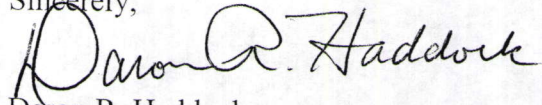
The surety for the South RCS Mine escalated to the year 2009 is \$258,100. A Surety Estimate Update is attached for your use. Please provide the updated surety within 60 days or no later than December 7, 2004.

You may provide a rider to the existing surety and no other paperwork will be necessary. However, if you choose to post another form of surety, please contact Joelle Burns at (801) 538-5291 to obtain the current bonding forms or you may access the current forms on the internet at www.nr.utah.gov. If you post another form of surety, we will require that you also replace the Reclamation Contract, which is also located on the web. Please fax a "draft" copy of the documents so we can review them for completeness and accuracy before they are finalized.

Pete Ogden
Page 2 of 2
M/039/002
October 8, 2004

If you are unable to provide the surety within this timeframe, please contact the Division with justification for requesting additional time. Thank you for your help in keeping the surety current. If you have any questions concerning this letter, please contact Doug Jensen at (801) 538-5382.

Sincerely,

A handwritten signature in black ink, reading "Daron R. Haddock". The signature is fluid and cursive, with the first name "Daron" being more prominent.

Daron R. Haddock
Permit Supervisor
Minerals Regulatory Program

DRH:DJ:jb
Attachment: Surety estimate update
cc: Doug Jensen, DOGM
O:\M039-Sanpete\m0390002-southrcs-salt\final\bnDESC-10082004.doc

SURETY ESTIMATE UPDATE

Redmond Minerals, Inc.

South RCS Salt Mine

FILE # M/039/002

San Pete County

8-Oct-04

Prepared by Utah Division of Oil, Gas & Mining

Last Update 8/31/1999

DESCRIPTION:

- Previous reclamation surety estimate was \$235,100 in year 2004 dollars
- Reclamation Estimate base amount calculated in 1999-\$
- This update adjusts the surety amount for escalation only.

-Escalation factors through 2004 are actual Means Historical Cost Indices

-Total disturbed area = 90.1 ACRES

CALCULATIONS	YR	ESCAL FACTOR	BOND AMOUNT
$F = P(1 + i)^{**n}$			
P = Present Sum	1997	0.0236	\$0.00
i = Escalation Factor	1998	0.0502	\$0.00
n = number of periods	1999	0.0191	\$200,173.00
	2000	0.0244	\$205,057.22
Three Yr Average = 2.89%	2001	0.0421	\$213,690.13
Used to Project 5 Yrs	2002	0.0202	\$218,006.67
From the Year 2003	2003	0.0155	\$221,385.77
	2004	0.0259	\$227,119.67
	2005	0.0259	\$233,002.07
	2006	0.0259	\$239,036.82
	2007	0.0259	\$245,227.87
	2008	0.0259	\$251,579.27
	2009	0.0259	\$258,095.18
Updated Surety Amount Rounded (2009-\$)			\$258,100.00

** Average cost per acre = 2722 (\$/ACRE)